



Role of the Capital Market in a Recessionary Economy

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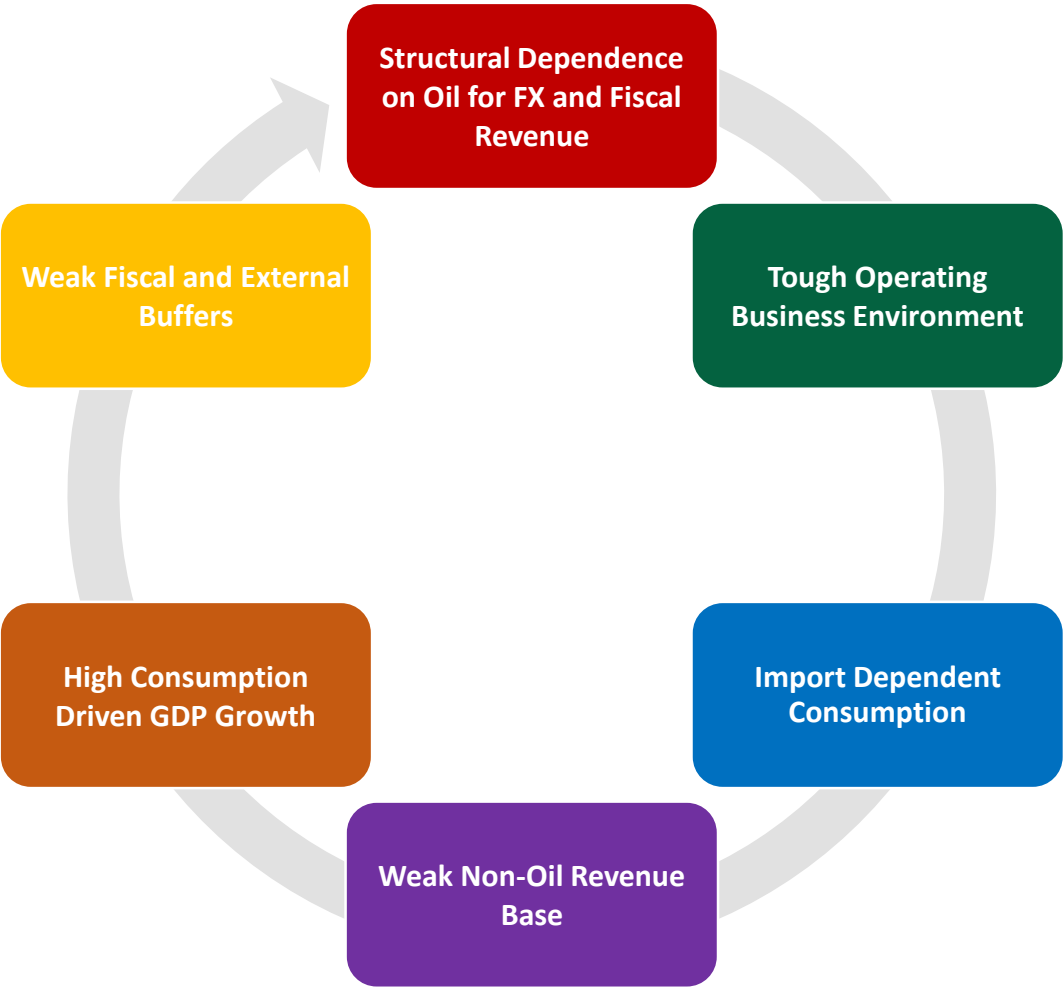
How we got here; External and Internal Shocks





Structural Weaknesses Masked by Strong Fundamentals

- Despite years of high GDP growth and improved economic indicators, inherent structural weakness in the economy remained unaddressed.



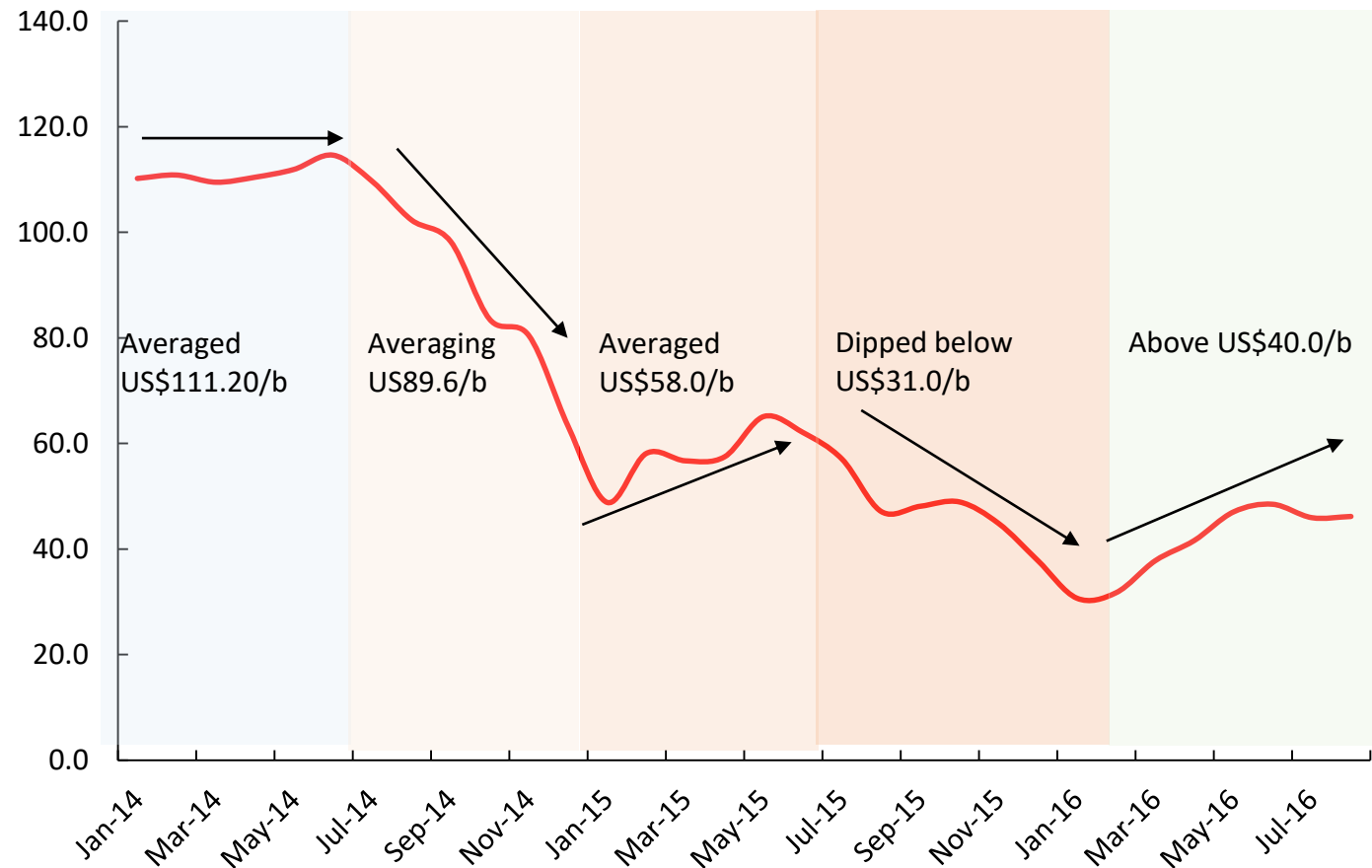
Source: CBN, Afrinvest Research

The Oil Price Shock



Crude Oil Price Movement (January 2014 – August 2016)

- After Years of overdependence on Oil for Government revenue and FX reserves, plunge in global Oil prices devastated the fundamentals of the Nigerian economy



Source: CBN, Afrinvest Research



Deterioration in Fiscal Fundamentals

- Lower oil proceeds weakened Revenue base significantly and exposed the economy to external sector vulnerabilities

	Pre-Shock (2013)	Post-Shock (2016)	Percentage Change
FGN Retained Revenue (N'tn)	4.1	3.9	-5.9%
FGN Oil Revenue (N'tn)	2.4	0.8	-65.2%
FGN Budget (N'tn)	5.0	6.1	22.6%
Recurrent Expenditure ex Debt Service (N'tn)	2.4	2.3	-1.6%
Capital Expenditure (N'tn)	1.6	1.6	0.7%
Fiscal Deficit (% of GDP)	-1.9%	-2.5%	0.7%
Tax & Duties Revenue/GDP (%)	2.6%	2.5%	-0.1%
External Reserves (US\$'bn)	42.8	24.8	-42.0%
Import Cover (Months)	8.5	6.0	-29.4%
Interbank Exchange Rate (N/US\$)	159.9	324.0	-50.6%
Credit Rating (S&P)	BB- (Stable)	B (Stable)	Down 2 Notches
Credit Rating (Fitch)	BB- (Stable)	B+ (Stable)	Down 1 Notch
Credit Rating (Moody's)	Ba3 (Stable)	B1 (Stable)	Down 1 Notch

Source: CBN, Budget Office, Afrinvest Research

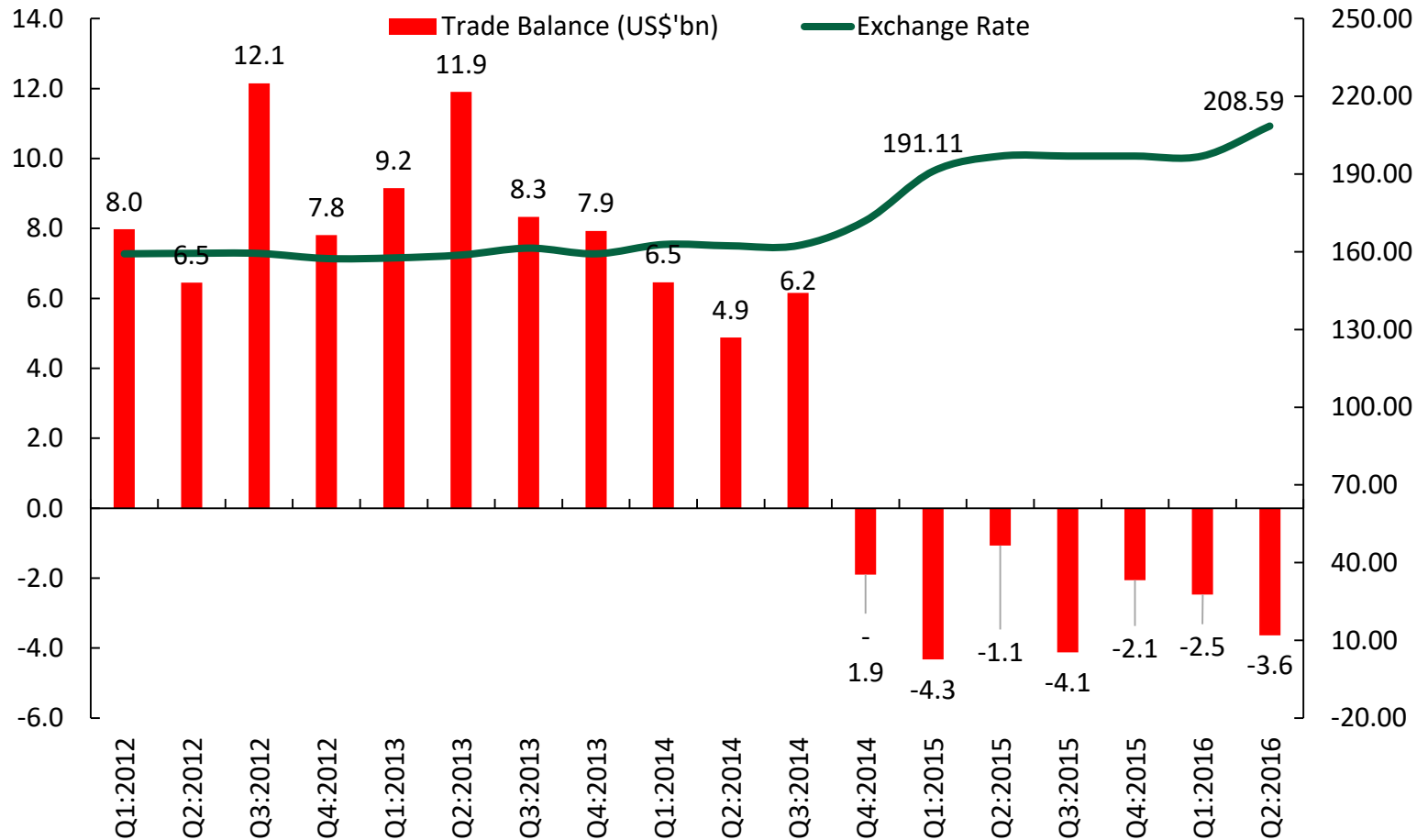
*Tax Revenue/GDP, External Reserves, Import Cover, Interbank Exchange Rate are the latest figures from the CBN

Weaker Trade Balance, Pressure on FX



Quarterly Movement of Trade Balance Vs. Exchange Rate (Q1:2012 – Q2:2016)

- Trade Balance of also weakened significantly as control measures on exchange rate amplified negative trade balance



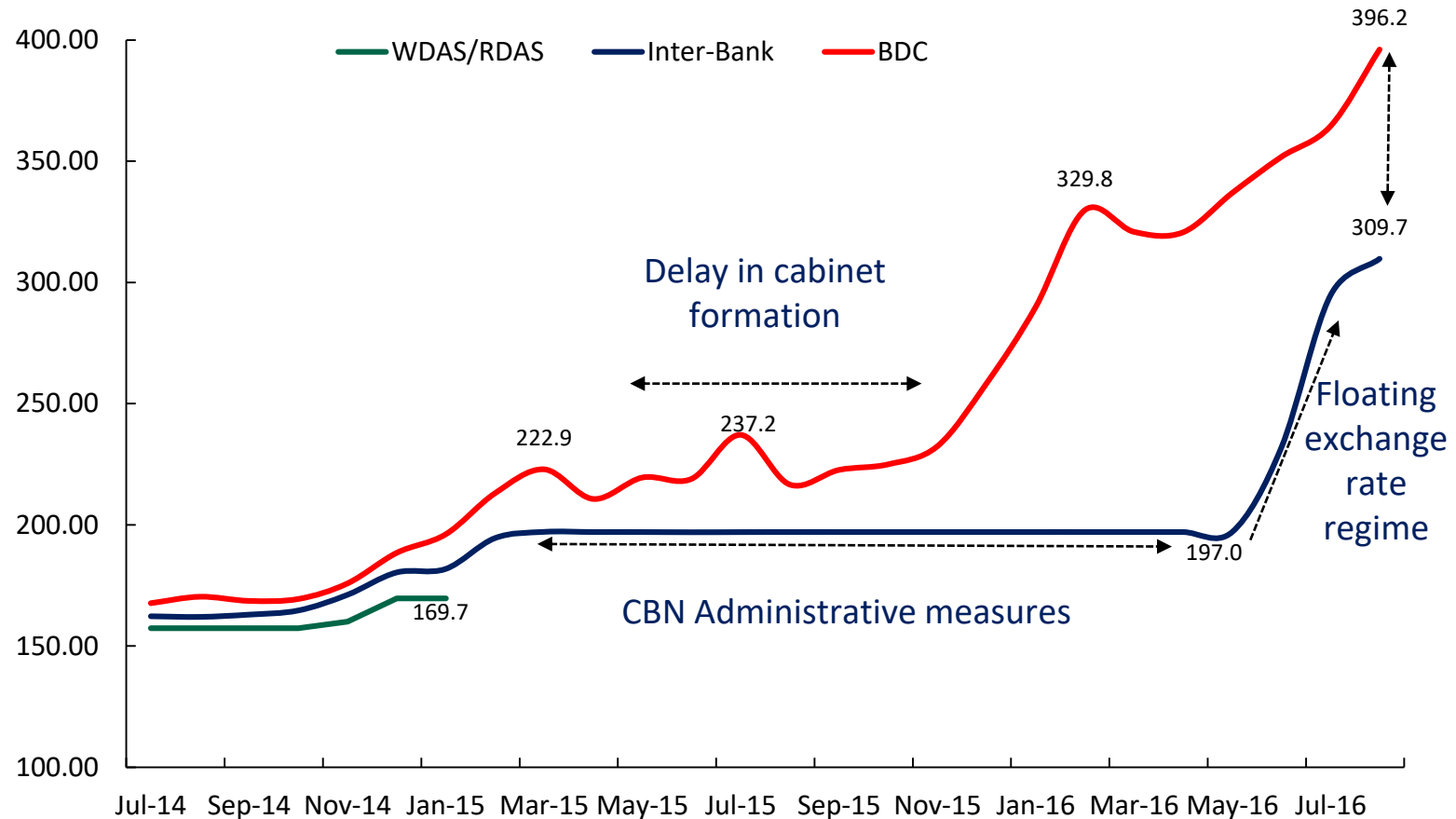
Source: CBN, Afrinvest Research

Rigid FX Policy and Fiscal Inertia Widened FX Rates Spread



Nigeria Exchange Rate Trajectory (Jul 2014– August 2016)

- Policy response was not helpful, with the CBN adopting a rigid FX policy. The resulted in a sharp rise in parallel market rate and widened the spread between official and unofficial rates.
- Meanwhile, Fiscal Policy was largely delayed with the late constitution of the cabinet members by Mr. president

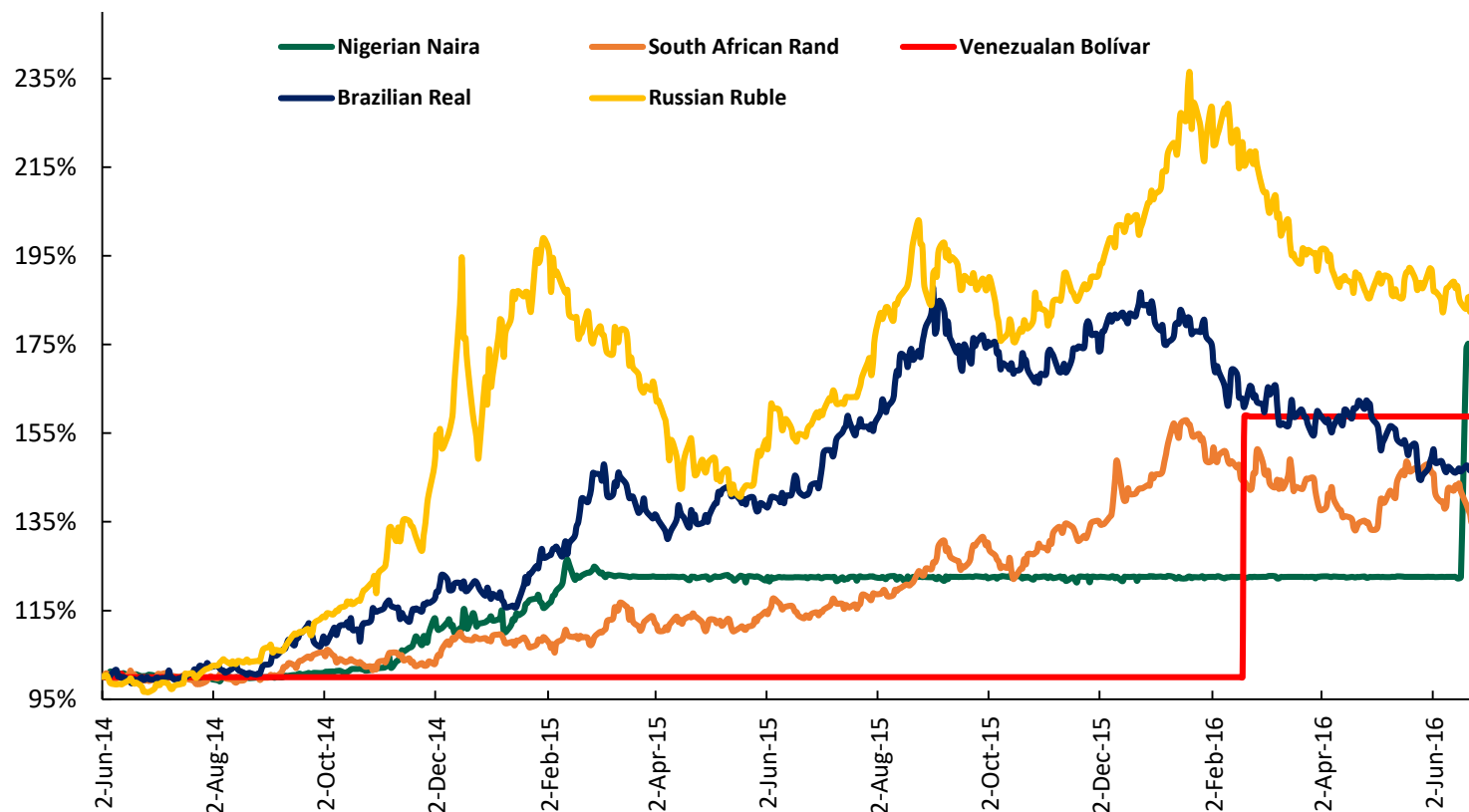


Nigerian Currency Against Comparable



Naira vs. Emerging and Frontier Market Currencies (June 2014 – May 2016)

- Compared to peer countries, the CBN refused to respond appropriately to huge demand pressure in the currency market.



Source: Bloomberg, Afrinvest Research

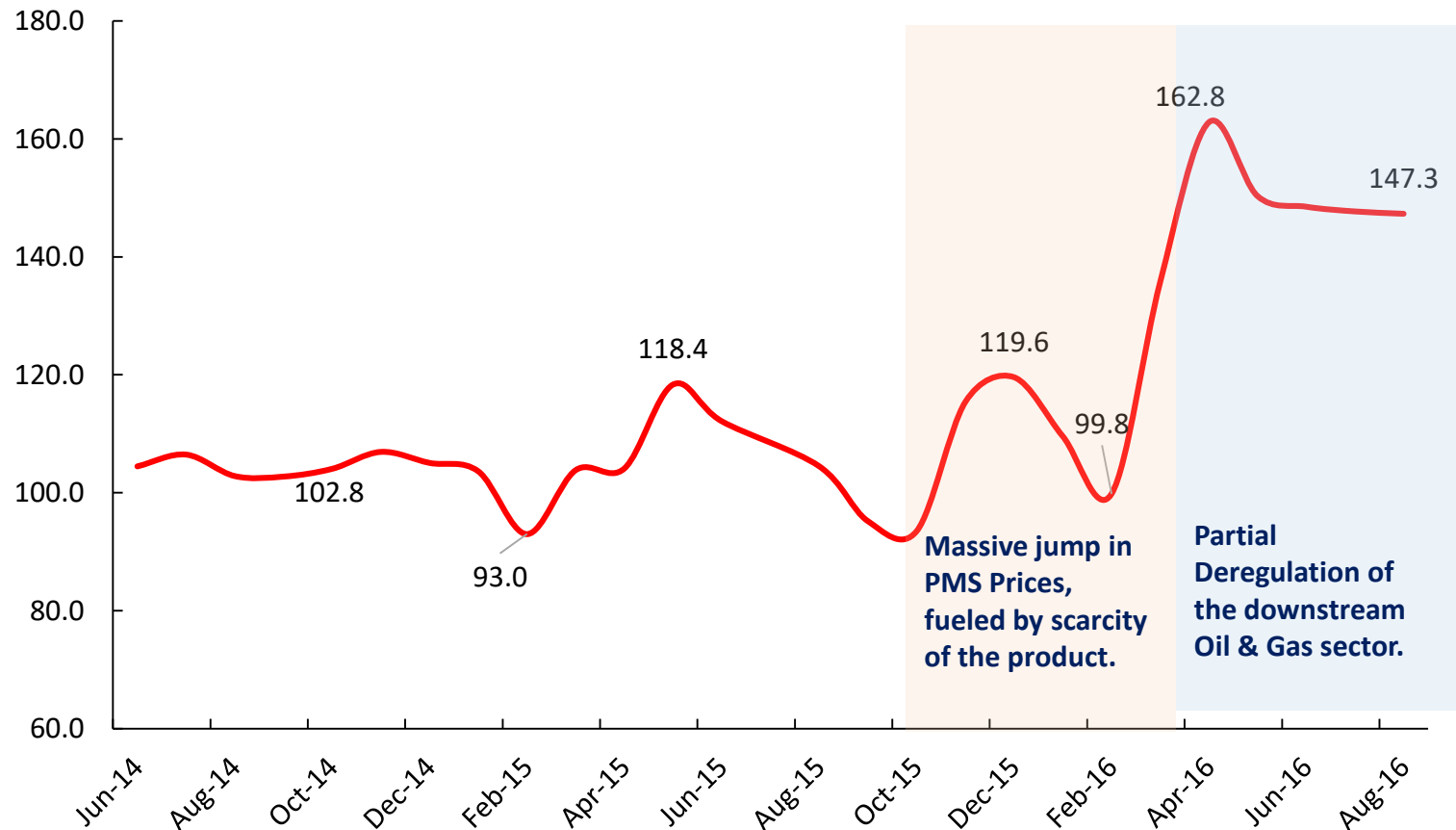
Fiscal Policy Inertia - Energy Reforms only Bright Spot



Average Premium Motor Spirit Prices in Nigeria (Jun- 2014 – Aug 2016)

Also, pressure in the FX market resulted in a full blown energy crisis as the economy entered into another episode of fuel scarcity and long queues resulting in huge wastage in productive hours.

This continued until the minister of state for Petroleum announced the deregulation of the petrol market sector in May 2016.

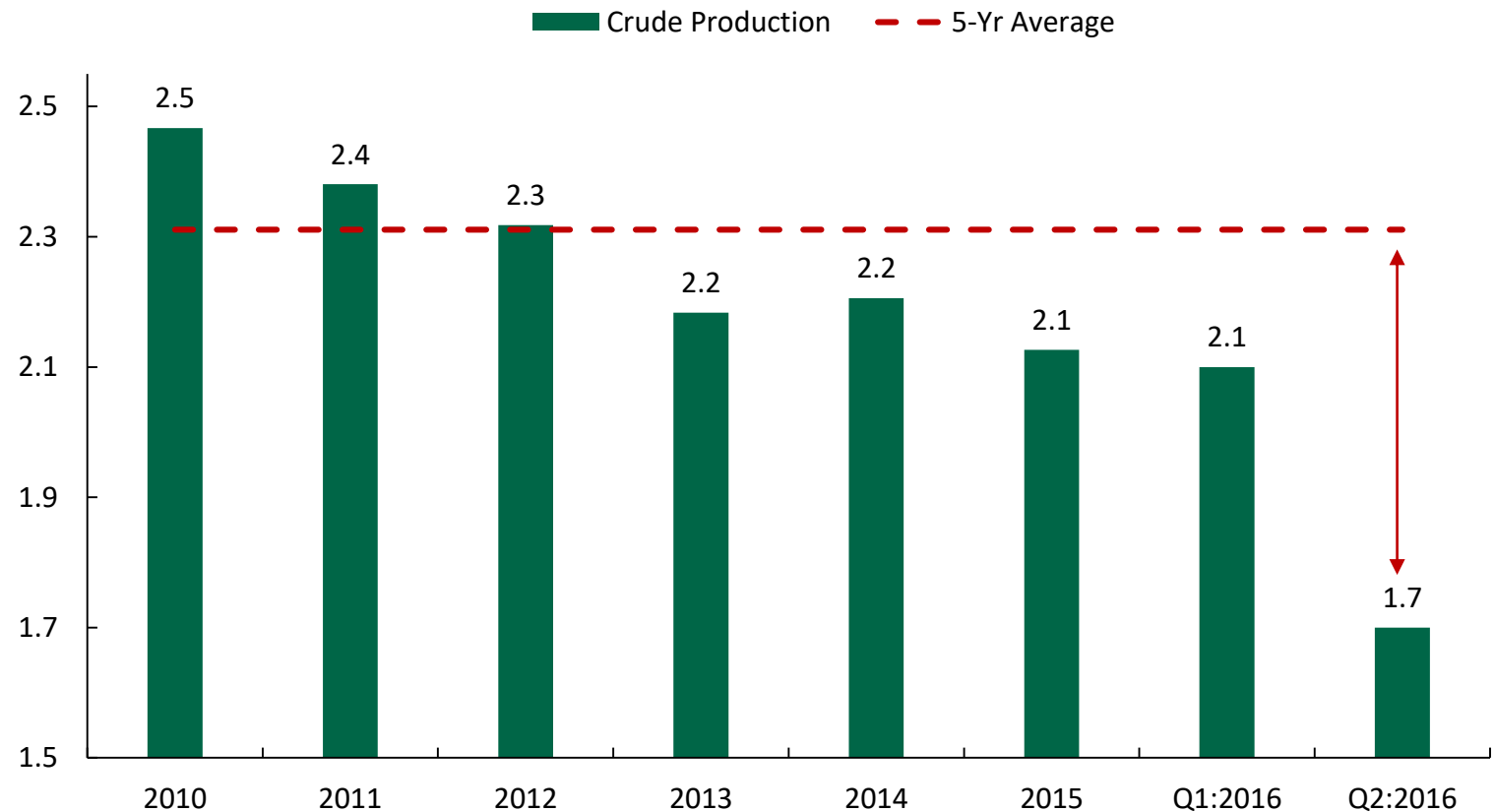


Source: NBS, Afrinvest Research



Average Daily Crude oil Production in Nigeria in MB/D (2010-Q2:2016)

The advent of the Buhari Administration and his anti-corruption campaign revived the Niger-Delta Crisis and crumbled domestic crude oil production



Source: NBS, CBN

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Current Realities

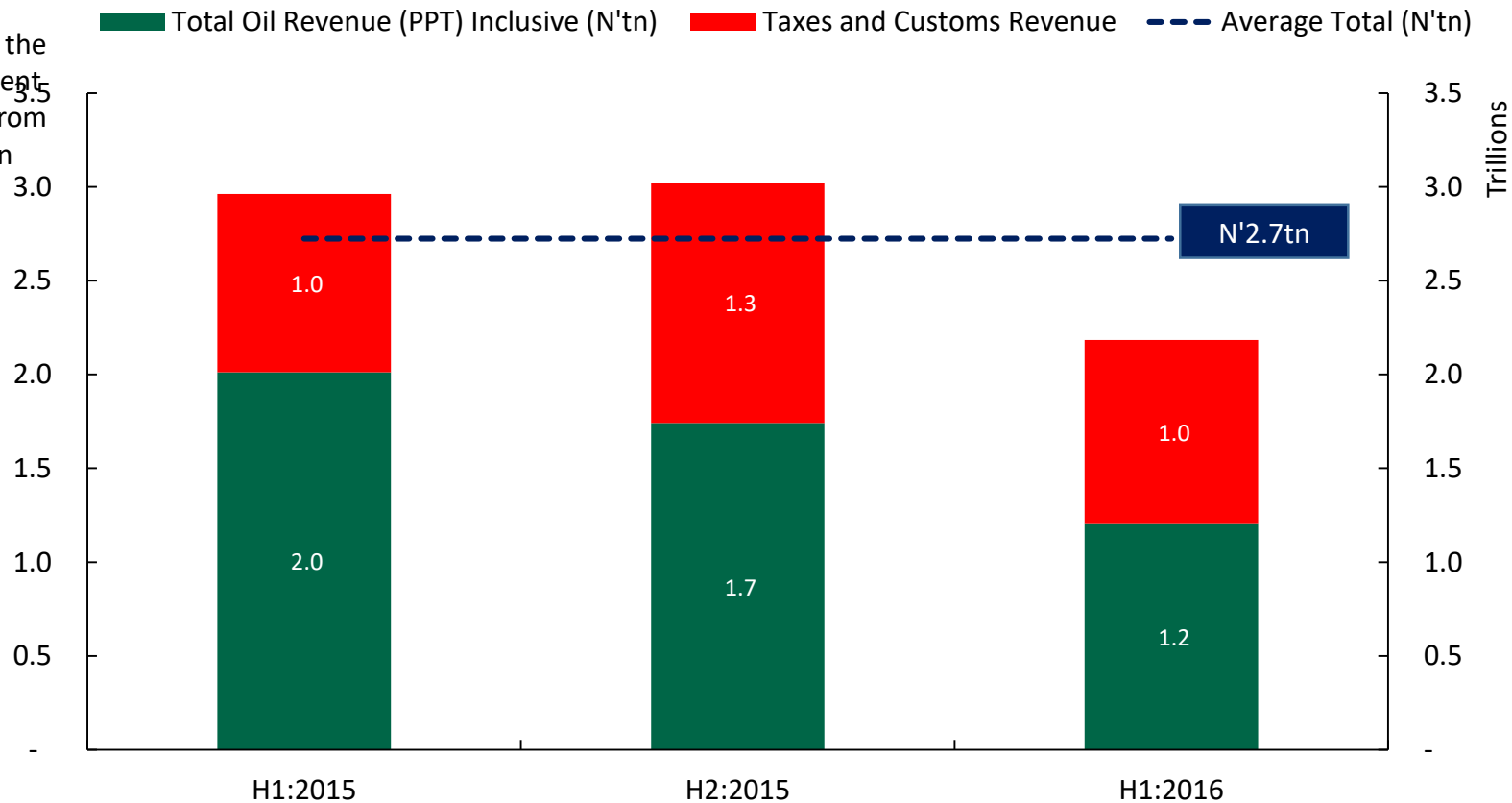


Revenue Dropped Significantly



Federation Revenue (H1:2015 – H1:2016)

The immediate impact of the shocks is felt on government revenue which tumbled from over N2.7trillion to N2.2tn



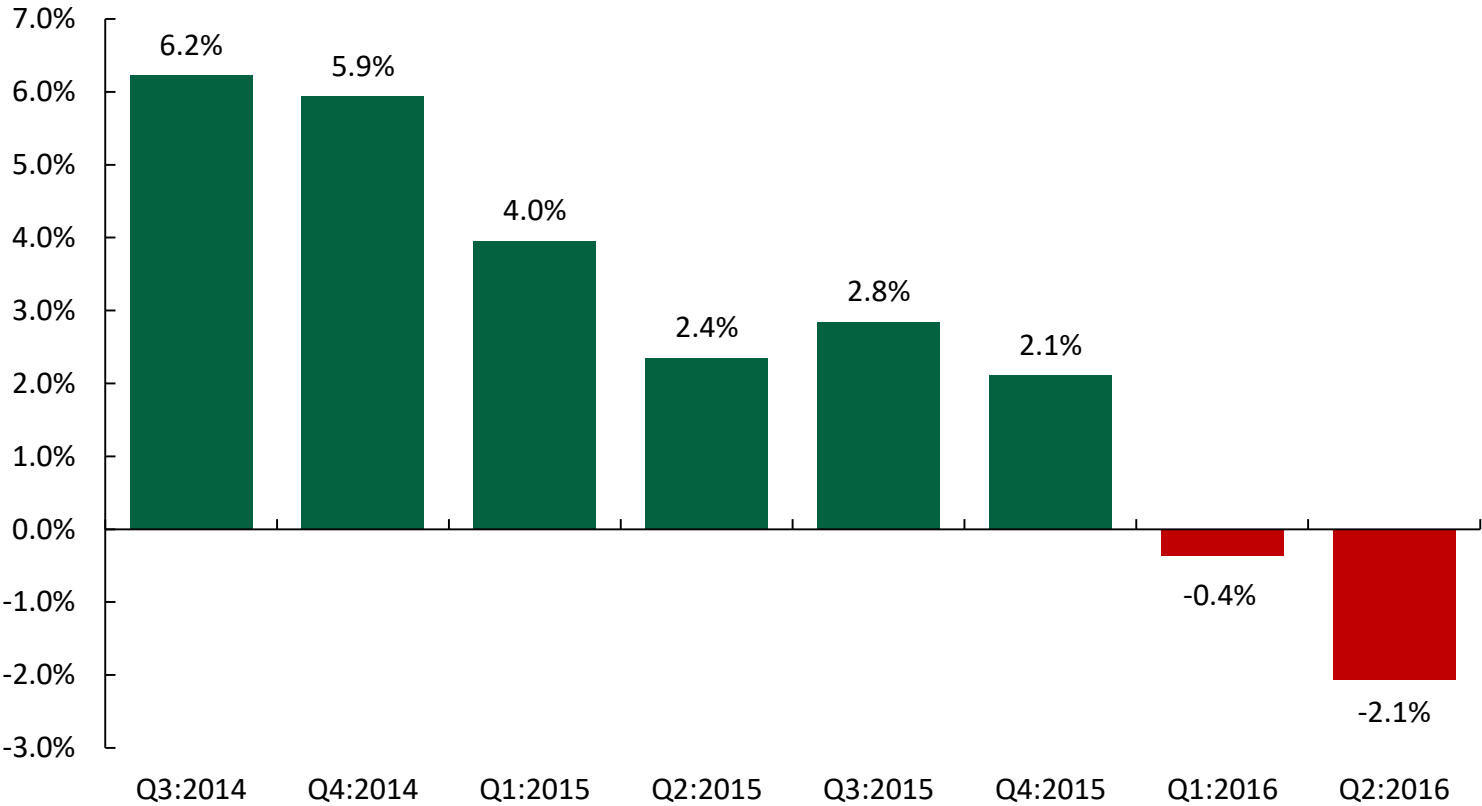
Source: NBS, Afrinvest Research

Contraction in GDP



Quarterly GDP Growth Trend (Q2:2014 - Q2:2016)

Also, GDP contracted for the first time in 20 years pulling the economy into a technical recession



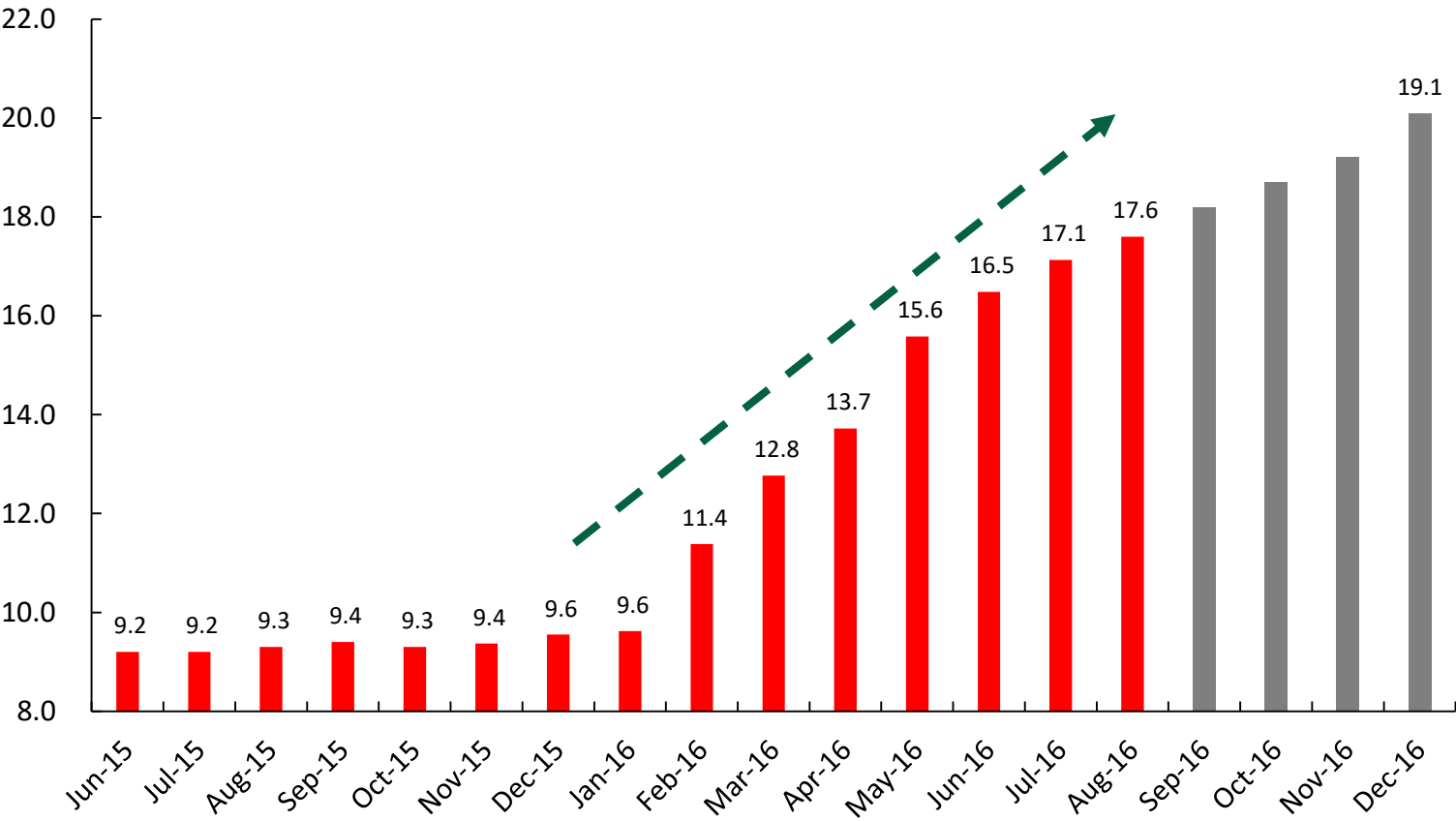
Source: NBS, Afrinvest Research

Inflation in Double-Digit due to “Supply Side” Shocks



Inflation Rate Trend (%' June 2015 to August 2016 + Forecast)

Expectedly, Inflation rate galloped from single digits to over 17% and may touch 19% before year end.

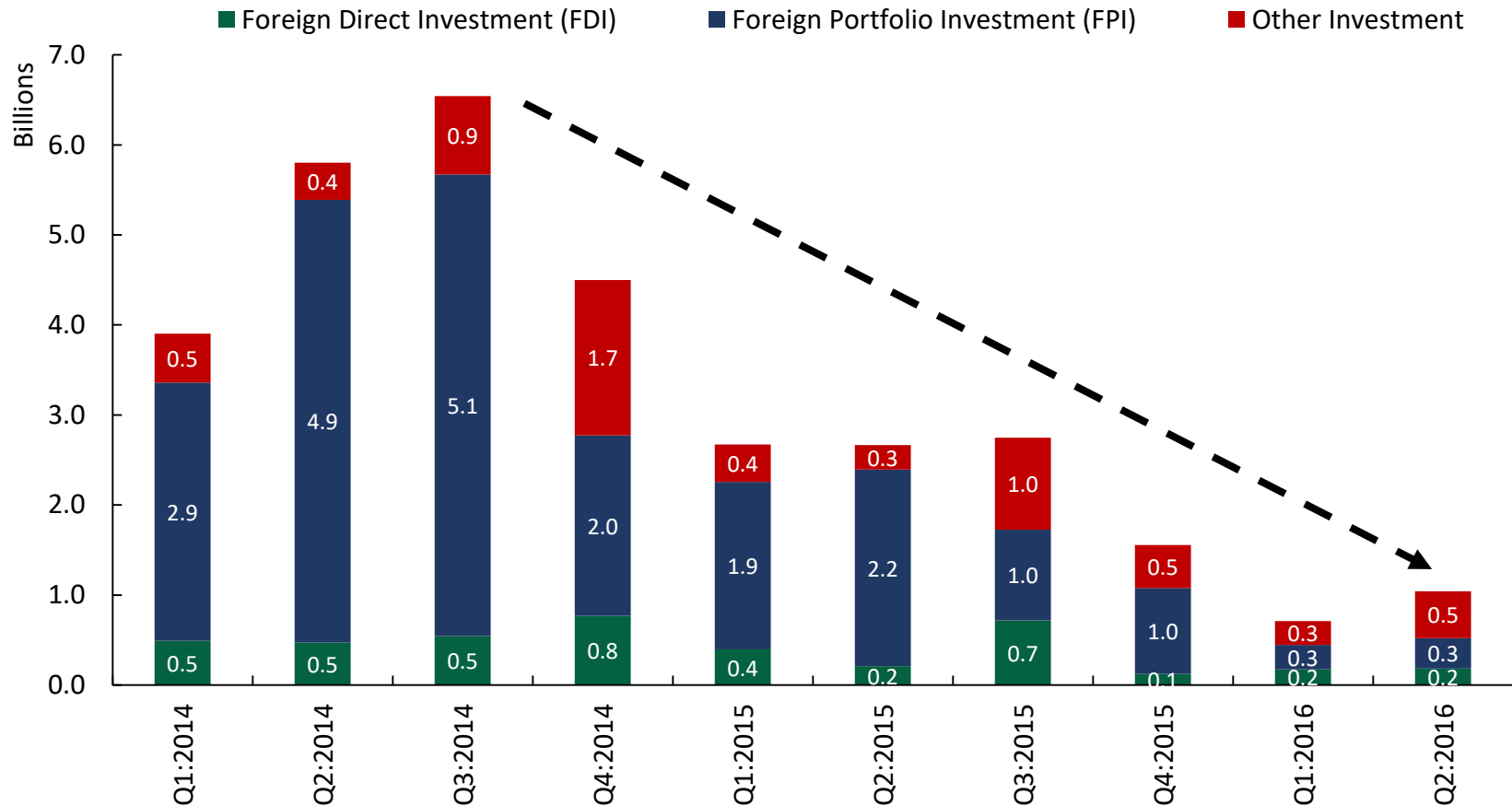


Source: NBS, Afrinvest Research

Capital Inflows Response to Oil Prices and Policies



Capital Importation Information (US\$' Q1:2014 – Q2:2016)



Source: CBN, Afrinvest Research

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The Role of the Market in getting out of Recession





Primary Market

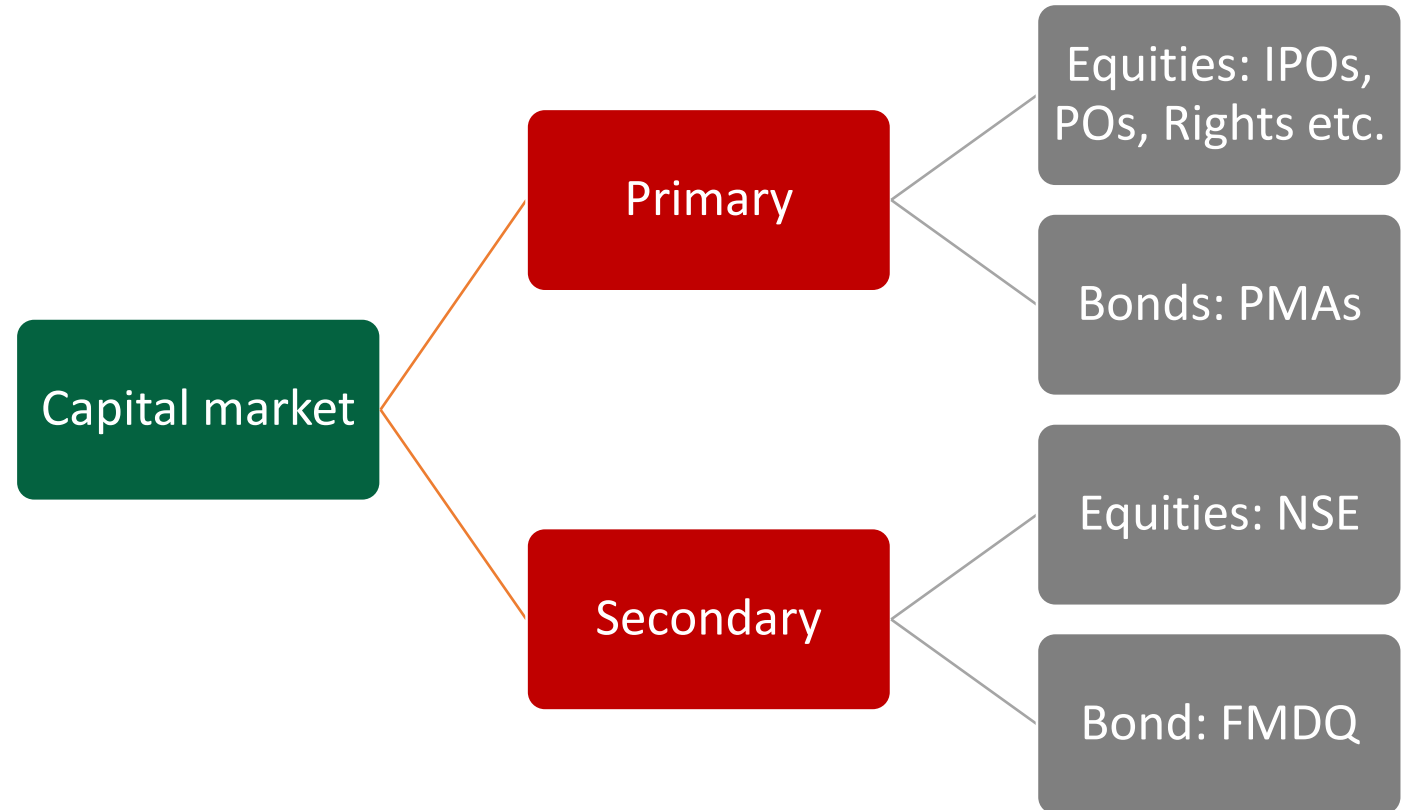
Market where securities are purchased directly from an issuing company or the DMO as the case may be

Synonymous with IPOs when a private company sells stocks to the public for the first time or Rights Issues and new debt securities in the form of bonds

Secondary Market

"Stock market". Includes all major exchanges around the world.

Investors trade previously-issued securities without the involvement of the issuing companies.





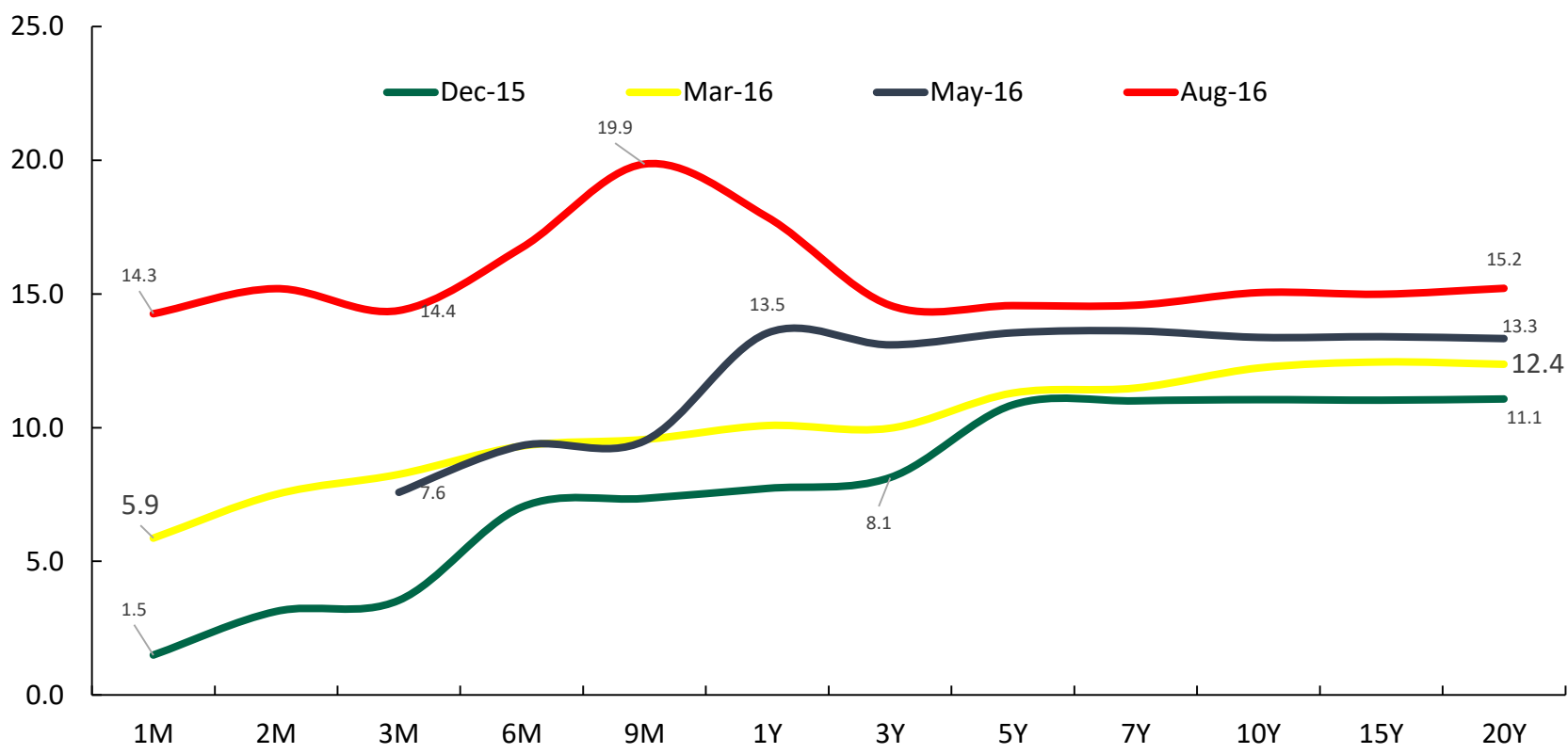
All Share Index of Nigerian Equities Trend (July 2014 – September 2016)



Source: NBS, Afrinvest Research



Nigeria Sovereign Yield Curve Movement (December 2015 – September 2016)



Source: NBS, Afrinvest Research

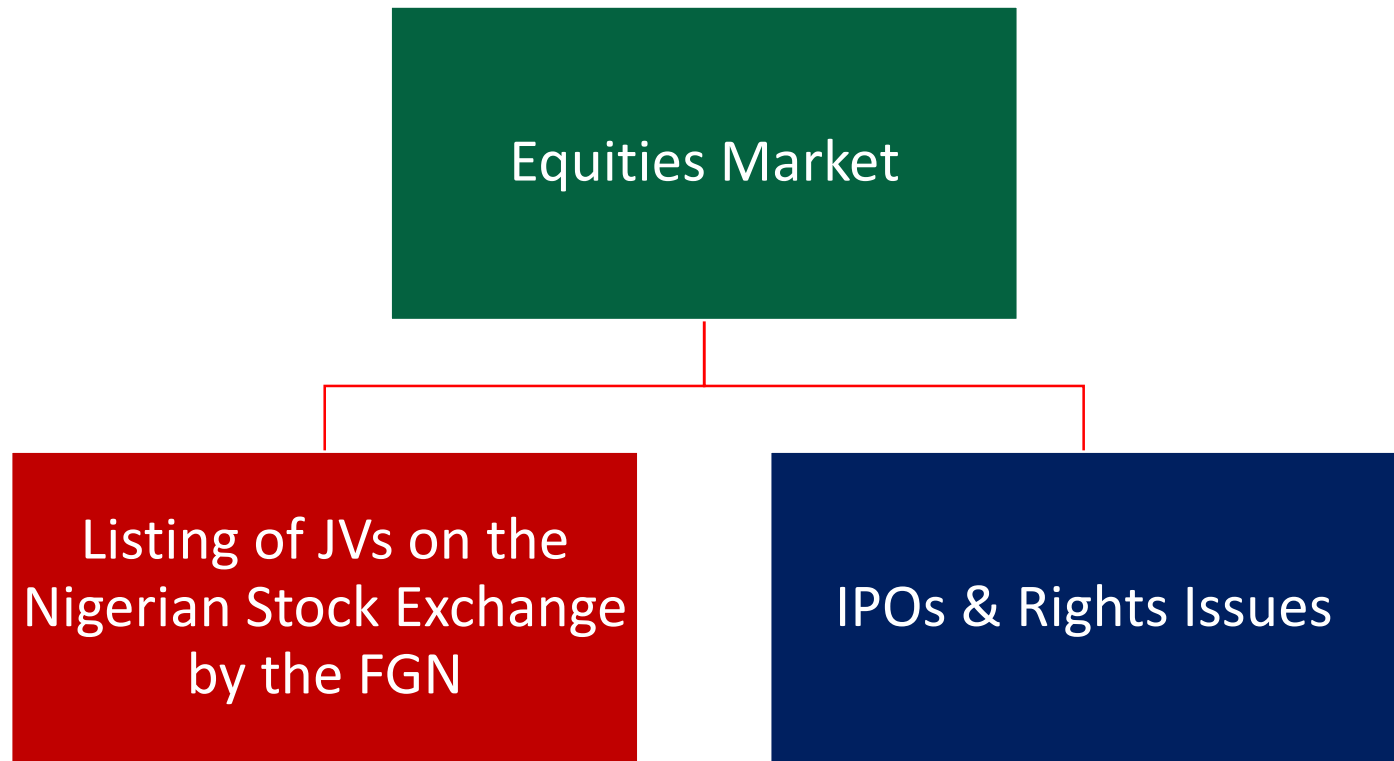


Auction Date	5/10/2016	5/10/2016	5/10/2016
Allotment / Issue Date	6/10/2016	6/10/2016	6/10/2016
Tenor	(91-Day)	(182-Day)	(364-Day)
Offer Amount (=N=)	28,000,000,000	33,490,874,000	68,184,887,000
Total Subscription (=N=)	39,126,660,000	68,090,757,000	204,649,902,000
Proposed Allotment (=N=)	28,000,000,000	33,490,874,000	68,184,887,000
Range of Bid Rates (%):	12.5000 – 18.0000	12.0000 – 23.0000	17.0000 – 21.0000
Recommended Stop Rates (%):	13.9	17.09	18.25



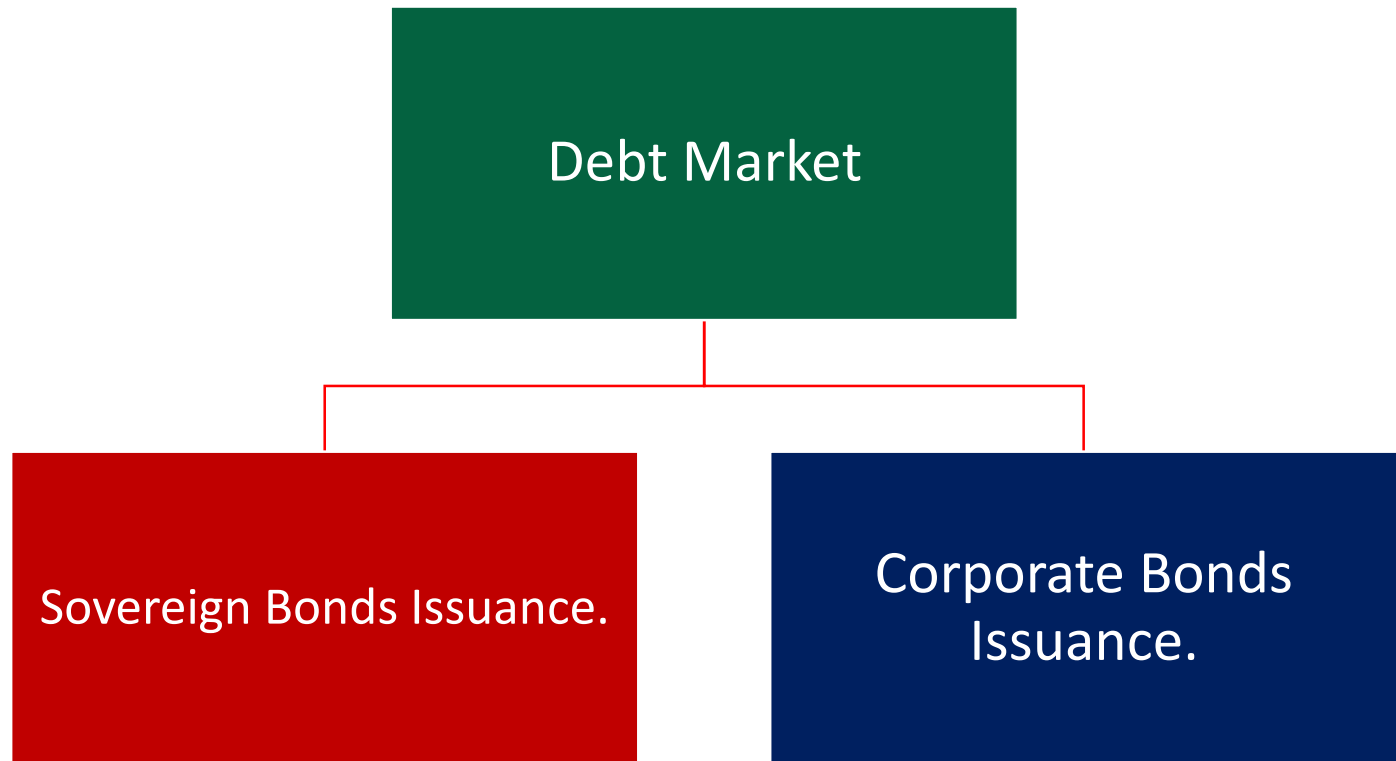
Sale of National Asset to fund Fiscal Stimulus Plan & reflate the economy

- Raising Non-oil revenue by the Reduction of Federal Government's stake in JVs in the Oil & Gas sector (e.g. NLNG) through the Capital Market
- Companies to raise capital by issuing new shares.



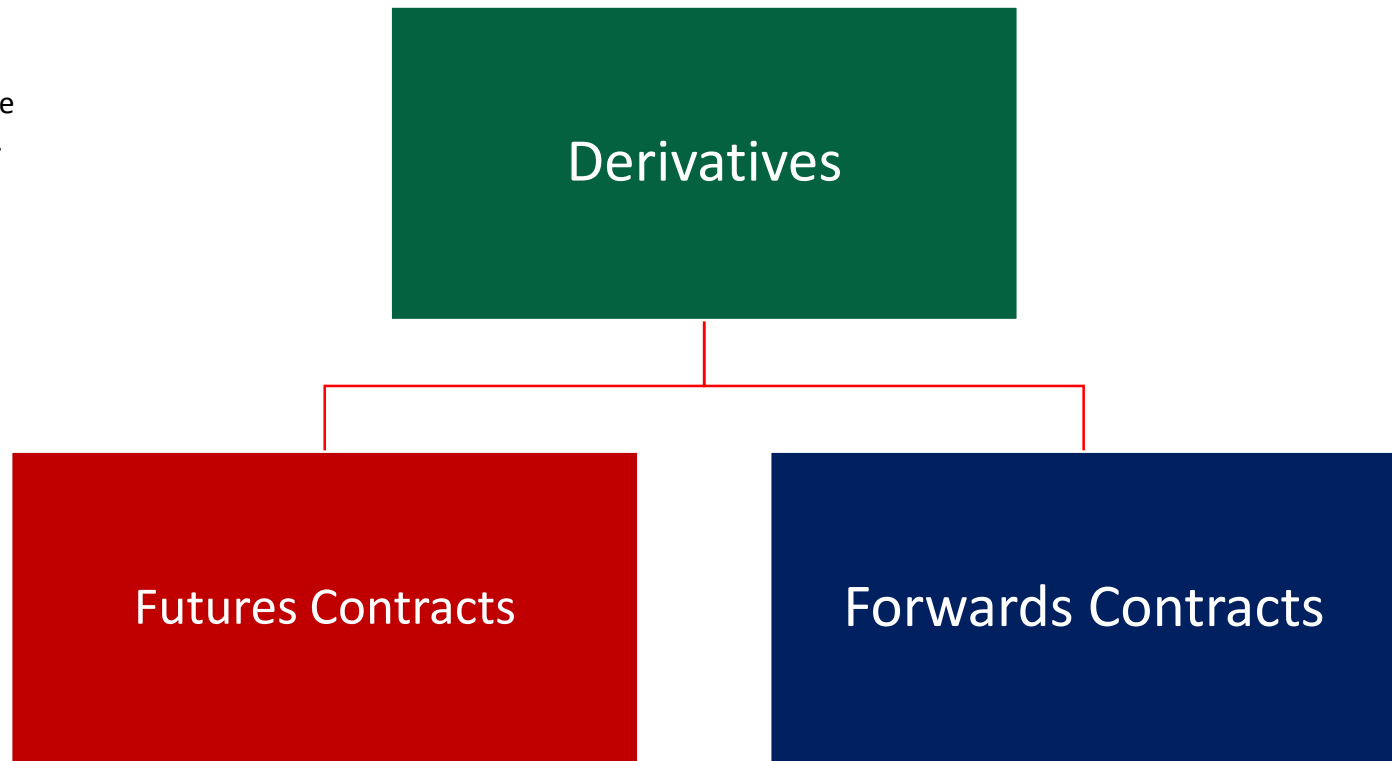


- Federal Government can raise funds for Capital Projects by borrowing through the Capital Market through bonds issuance
- Companies can raise additional capital through debt by issuing corporate Bonds.





- Foreign Investors coming into the Nigerian Market Can Hedge positions by purchasing derivatives products through the FMDQ OTC securities exchange.



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Afrinvest Securities Ltd.





Background

Afrinvest Securities Limited (“ASL”) is the licensed broker dealer and subsidiary of Afrinvest (West Africa) Limited (“AWA”), a boutique investment banking firm in Nigeria with a primary focus on West Africa.

Founded in 1995 as Securities Transaction and Trust Company Limited (“SecTrust”) grew to become a respected research, brokerage and asset management firm

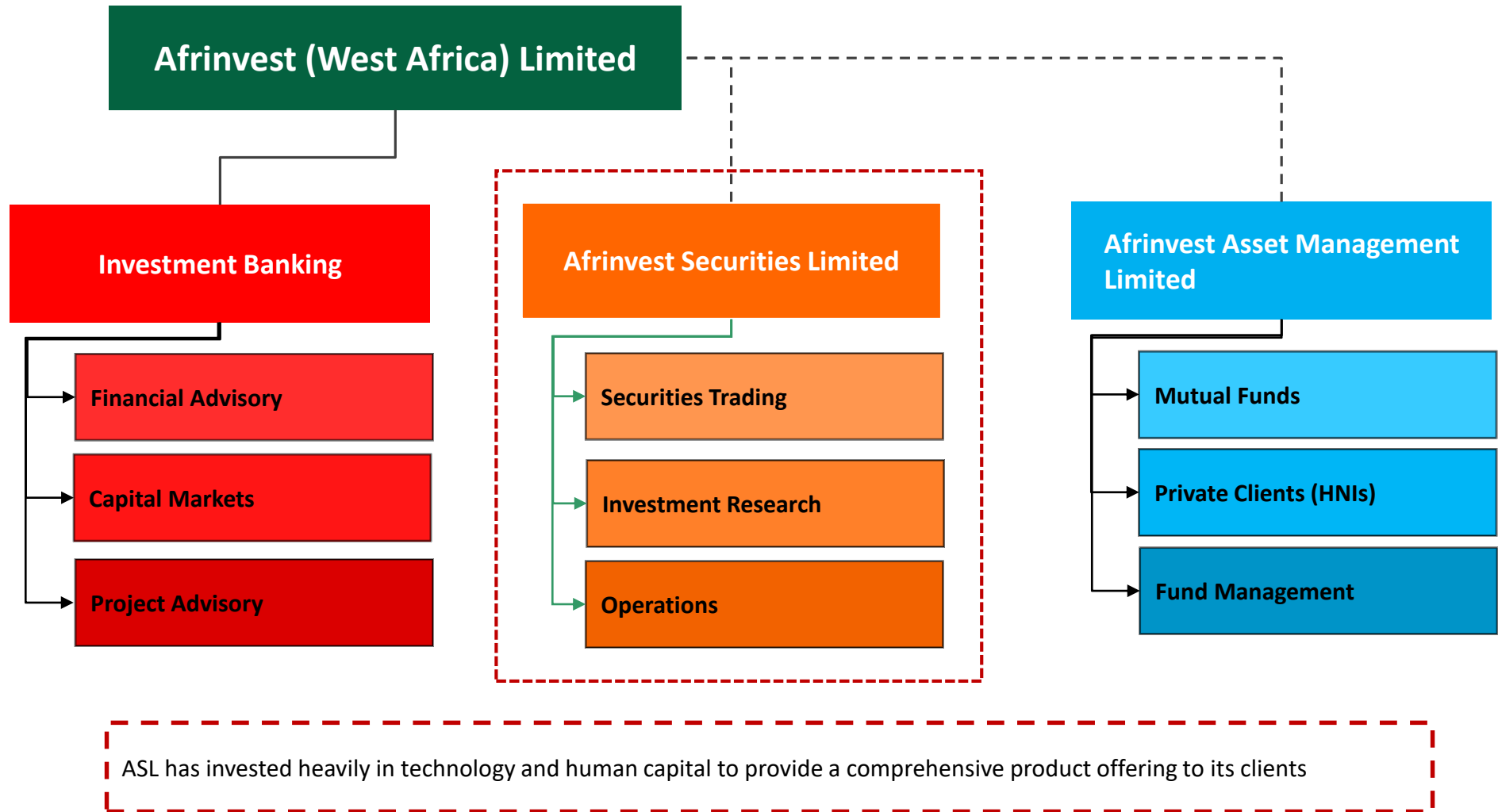
Following the business restructuring exercise in 2005, SecTrust combined with the Nigerian based corporate finance business of Afrinvest (UK) Limited (Afrinvest Nigeria Limited) resulting in the renaming of SecTrust as Afrinvest (West Africa) Limited

In 2012, the Broker Dealer license of AWA was transferred to its subsidiary Afrinvest Securities Limited (ASL).

Afrinvest Securities Limited is regulated by the Securities and Exchange Commission (“SEC”) as a broker-dealer and is a dealing member of The Nigerian Stock Exchange and National Association of Securities Dealers (NASD Plc)

ASL is also an appointed Designated Adviser (DA) by The Nigerian Stock Exchange for companies listed on the ASEM Board.

ASL maintains offices in Lagos, Port-Harcourt and Abuja.





Stockbroker to New Issue of Securities

As a dealing member of the Nigerian Stock Exchange, we act as stockbroker to new issues of securities to be listed on The NSE.

Brokerage

- We are reputed for timely execution of trades for our clients, with the recent technology upgrade (**via introduction of our online Trading Portal Afrinvestor.com**), our effectiveness in this will take an upward nudge. **Afrinvestor.com** gives real time access to the Nigerian Stock Exchange.

Institutional Sales and Marketing

- Institutional Sales & Marketing (“ISM”) provides an in-house distribution channel for often exclusive investment products originated by both our Afrinvest West Africa Ltd and Afrinvest Asset Management Ltd as well as unique value secondary market trading opportunities.
- The investment products include straight equity, convertibles, structured products, money markets, currencies and fixed income securities (both listed and unlisted).
- ISM is organized in two sub-divisions: International & Domestic serving clients such as Fund/Asset Managers, Brokers, Insurance Companies, Pension Fund Administrators, Asset Management Firms, Cooperatives

Fixed Income Trading

- Our Fixed Income Trading unit offers specialized services in sales and trading to both the wholesale and retail end of the market. We are involved in the primary issuance of sovereign, municipal and corporate Bonds.



The maintenance of an extremely robust research database on the Nigerian market approximately two (2) decades ensures that we have at our ready disposal up-to-date trading information on the stock and fixed income markets as well as corporate actions. This ensures the integrity of our periodical market and industry reports as well as updates.

Research & Data Services

- The research unit at ASL is at the very core of our business value proposition as we strive to provide our clients, both internal and external, with in-depth knowledge and thought leadership required for sound investment decisions.

Our Investment Research provides:

- Cutting-edge company fundamentals, industry and economic research; and
- Investment advice for institutional and retail clients

We maintain an extremely robust research database on the Nigerian market spanning 15 years which ensures that we have at our ready disposal up-to-date trading information on the stock and fixed income markets as well as corporate actions. This ensures the integrity of our periodical market and industry reports as well as updates.

Due to our research expertise, we are on retainer with a number of companies to provide research support services

Other Services

- Receiving agent to Public Offers
- Revalidation of dividend warrants and reconciliation of shareholding with Registrars, verification and dematerialization of share certificates, Estate Accounts/Share transmission services
- AfriTrack: Afritrack is a combination of ancillary services provided by Afrinvest Securities Limited bundled into a single service offering to clients. The product is designed to unlock the value of outstanding and unclaimed entitlements of investments in Nigerian quoted securities (equities and bonds) on behalf of our clients. We intend to leverage on our cordial relationships with various company registrars to promptly reconcile actual shareholdings against benefits and entitlement received



Afrinvestor.com is an online trading and investment management portal provided by Afrinvest Securities Limited (ASL) to empower its brokerage clients to take control of their investments, supported by sound investment advice and professional guidance.

Features	Trade Equities
	Account Opening
	Account & Portfolio Management
	Profile Management
	Trade Execution
	Deposit & Withdrawal of Funds
	Research & Resources
	Live Chat
Value Proposition	Easy to Use
	Unique Trading Experience
	Relevant Content
	Timely Execution
	Research Support
Secondary Features	Access to other Afrinvest Products e.g. AEF & NIDF



NO MINIMUM DEPOSIT REQUIREMENT

Account can be opened with Nil cash deposit or Share certificates. You can also move your account in from other Stockbroking Firms. Our trading fees and commissions are transparent and clear.

24/7ACCESS.

Monitor your portfolio wherever and whenever while you get access to the latest Capital market activities to guide you as you trade.

EASY TO USE

The platform is designed in a very flexible way to meet your trading needs. It's easy to navigate, execution of trades is seamless and instant. Afrinvestor.com also has an App available on IOS and Android devices.

ACCESS TO FREE RESEARCH.

Afrinvestor.com leads you by the hand, get the latest stock recommendations, investment tips and trading tools you need whenever you need it on the Platform. We deliver the stock market information you need to make informed decisions and place equity trades. Explore our Research Hub for in-depth research and analysis



What does it involve?	How it Works
<ul style="list-style-type: none"> • Reconciliation of clients Shareholdings and Investments • Recovery of outstanding certificates, bonuses and dividend warrants • Recovery of return money/interest on un-allotted public offer shares • Dematerialization of recovered Share Certificates • Revalidation of expired Dividend Warrants • Consolidation of multiple shareholding account • Consolidation of CSCS accounts in multiple Houses 	<p>Open a Brokerage account with ASL and provide us with complete KYC documents</p>
<p>SERVICE DETAIL AfriTrack services would normally be concluded within a period of 1-3 months depending on the complexity of the portfolio and particular circumstances.</p> <p>FEE STRUCTURE 3% service charge on the value of shares or dividends recovered. However, an initial N5,000 upfront commitment will be required for individual applicants while N10,000 is required for corporate applicants.</p>	<p>Fill out AfriTrack application form</p>
<p>TARGET CLIENTS</p> <ul style="list-style-type: none"> • High Net Worth Individuals/Corporations • Co-operate societies • Estate Account Clients • Busy Executives 	<p>Mandate Letter(s) authorization from clients</p>
	<p>Supply of Basic investment information</p>
	<p>Provide initial feedback to Clients</p>
	<p>Retrieve outstanding benefits and entitlements on clients' behalf</p>
	<p>Sending of Final Report of the global assignment to the client</p>



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Thank You

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